

Financial Incentives for CHP: *The California Environment*

Clean Fuels for California and the West

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September 19, 2006



Overview

- California's combined heat and power (CHP) incentive program today
- Changes impacting future incentives
- Suggested actions for continued support of clean technologies

CA Self-Generation Incentive Program

“**Self-Generation,**” as defined by CPUC, refers to DG technologies installed on the customer’s side of the meter, that provide electricity for a portion or all of the customer’s electric load.

Systems must be interconnected for // operation w/utility grid to qualify for incentives.

- CPUC funded program, pursuant to AB970
- Statewide program administered regionally by PG&E, SCE, SoCalGas, and SDREO
- Financial incentives for installing ≤ 5 MW of "clean" distributed generation (DG)
- Renewables receive higher incentives
- Program set to end 12/31/07

DG Incentive Levels for 2006

Incentive Levels	Eligible technologies	Incentive	Minimum System Size	Max System Size ¹
Level 1 (Solar)	-Photovoltaics	\$2.50/W	30 kW	5 MW
Level 2 (Renewable non-solar)	-Wind turbines	\$1.50/W	30kW	5 MW
	-Renewable fuel cells	\$4.50/W	30kW	
	-Renewable fuel IC & large GT	\$1.00/W	None	
	-Renewable fuel microturbines & small gas turbines ³	\$1.30/W	None	
Level 3 (Non-renewable non-solar)	-Non-renewable fuel cells ²	\$2.50/W	None	5 MW
	-Non-R & waste gas fuel microturbines & small gas turbines ^{2,3,4}	\$0.80/W		
	-Non-R & waste gas fuel IC engines & large GT ^{2,3,4}	\$0.60/W		

¹ Max incentive payout capped at 1MW

² System must utilize waste heat recovery meeting Public Utilities Code 218.5

³ Small GT are defined as GT <1.0 MW

⁴ System must meet AB 1685 emissions standards

Statewide SGLP Statistics

Where are we now?

Technology	Projects			Total (kW)		
	Active	Installed	Total	Active	Installed	Total
IC Engine (renewable)	9	4	13	5,966	1,930	7,896
IC Engine (non-R)	53	159	212	38,383	100,764	139,147
Microturbine (renewable)	3	13	16	480	2,460	2,940
Microturbine (non-R)	28	81	109	4,336	13,046	17,382

Updated August 2006

Source: www.sdenergy.org/selfgen

2006 SGIP Budget (in millions)

	Budget by IOU Service Territory				Total
	PG&E	SCE	SDG&E/ SDREO	SoCalGas	
Admin/M&E	\$19.20	\$13.45	\$5.45	\$4.40	\$42.50
Level 1	\$136.80	\$101.55	\$39.75	\$29.40	\$307.50
Level 2 (includes renewable CHP)	\$18.00	\$9.75	\$4.65	\$5.10	\$37.50
Level 3 (nonrenewable CHP)	\$18.00	\$9.75	\$4.65	\$5.10	\$37.50
Total Budget	\$192.00	\$134.50	\$54.50	\$44.00	\$425.00

DG Incentive Programs for 2007

- 1/1/07: Solar Component becomes stand-alone “California Solar Initiative”
 - Governor signs SB1 8/06
 - CPUC approves funding for 10 year program
- CHP, wind, fuel cells continue in SGIP until 12/31/07

DG Incentive Programs for 2008+

- AB2778 would extend wind and fuel cell incentives through 2012
- CHP excluded
- Various clean DG stakeholders asked Governor to veto bill

Addressing CHP Incentives for 2008

Legislative Arena

- Changing of the Guard: Senator Kehoe of San Diego named new Chair of the Senate EUC Committee
 - She has sponsored DG legislation before
- If AB2778 becomes law, legislation needed in 2007 to continue incentives for renewable and non-renewable CHP

Addressing CHP Incentives for 2008

Regulatory Arena (CPUC)

- Current DG proceeding (R.06-03-004)
 - CPUC states it is strongly inclined to extend the SGIP program and will address it in this proceeding
 - Likely to be in final of 3 phases of this proceeding (CPUC completed Phase 1 in 8/06)
 - Would encompass financial assistance, technologies included, and timeframe

Positive State Level Support for CHP

- Energy Action Plan (EAP)
 - Implementation Roadmap for state's energy policies
 - Established “preferred loading order”
- Integrated Energy Policy Report (IEPR)
 - Policy Blueprint to direct State's Energy Future
- Several Pro-CHP Recommendations in IEPR
 - Separate CHP from DG in next EAP so CHP issues/strategies not subsumed by broader DG topic
 - Translate goal of 5,400 MW of CHP by 2020 into yearly IOU procurement targets

How to Get Involved

- Legislative Arena
 - Support DG legislation that extends incentives for renewable and non-renewable CHP
- Regulatory Arena
 - Join CPUC DG service list (R.06-03-004)
 - Submit comments (as appropriate)
- Governor's Office

Final Thoughts

- Current incentives will be available through 2007
- High state level impetus for increased CHP exists, but must be translated into continued support into 2008+
- Stakeholders can make a difference in ensuring continued rebates for CHP

Thank You!

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